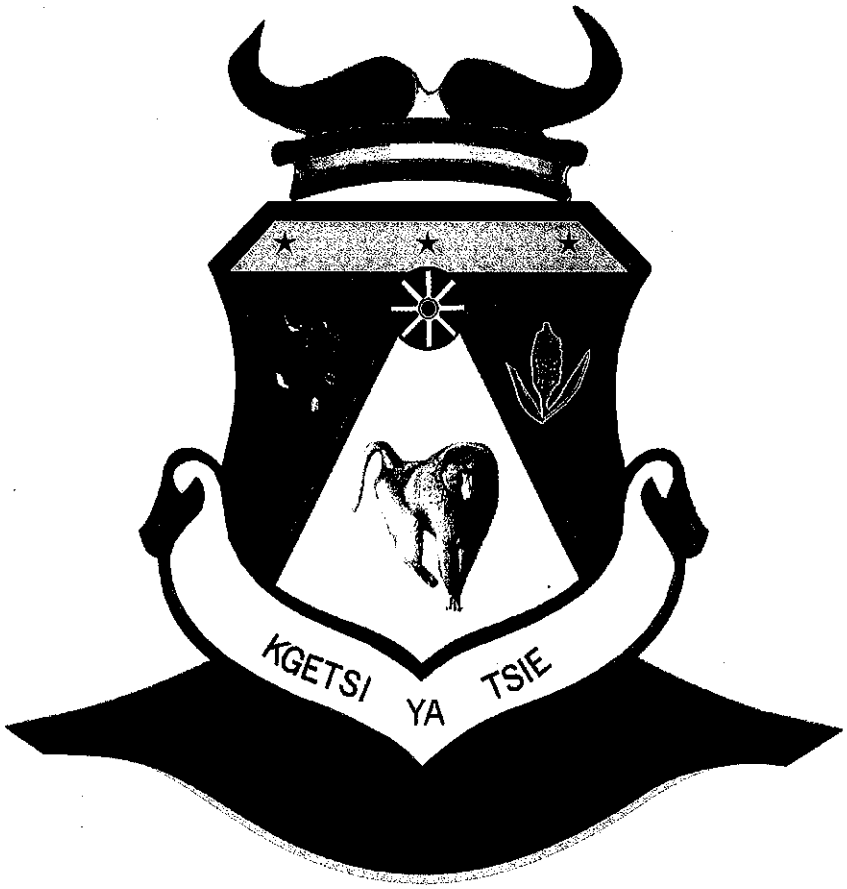

Ramotshere Moiloa Local Municipality
Annual financial statements
for the year ended 30 June 2016

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to communities within Zeerust, Lehurutshe and Groot Marico areas.
Mayor	Cllr Senna S
Speaker	Cllr Manthoko KI
Executive Council	
	Cllr Dreyer C
	Cllr Thwesha
	Cllr Mediro PP
	Cllr Moabi MP
	Cllr Montwedi BE
	Cllr Ramaina SC
Councillors	Cllr Amods J
	Cllr Gae ME
	Cllr Lamola GA
	Cllr Maleke KJ
	Cllr Matebesi A
	Cllr Mogotsi OK
	Cllr Moloi OC
	Cllr Mokgothu BS
	Cllr Mokotong P
	Cllr Moroeng NT
	Cllr Mosiane MK
	Cllr Motang PM
	Cllr Mothusi P
	Cllr Phale KR
	Cllr Pilane MP
	Cllr Pine B
	Cllr Pule HK
	Cllr Seswane KQ
	Cllr Sikwa B
	Cllr Tsile CS
Grading of local authority	3
	T Phakalane
Chief Finance Officer (CFO)	MS Lekaba

General Information

Business address	C/o President & Coetzee Street Zeerust 2865
Postal address	P O Box 92 Zeerust 2865
Bankers	First National Bank
Auditors	Auditor General South Africa
Website	www.ramotshere.gov.za

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the director to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 5 to 54, which have been prepared on the going concern basis, were approved by the on 31 August 2016 and were signed by him:

T Phakalane
Accounting officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution. The municipality provides services in Zeerust, Lehurutse and Groot Marico.

Net surplus of the entity is R 32 155 263 (2015: deficit R 30 858 256).

2. Going concern

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer reported the following;

1. New council was selected on the 6th of August 2016
2. A dispute regarding the increase in salary due to municipality grading was resolved to pay the employees an increase of 8.4 % starting from July 2016

4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The annual financial statements are prepared in accordance with the Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5.

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality
T Phakalane	South African

6. Corporate governance

General

The is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and risk committee

In terms of Section 166 of the Municipal Finance Management Act, No 56 of 2003, the municipality, must appoint members of the Audit Committee.

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 R
Assets			
Current Assets			
Inventories	2	31 701 254	31 679 339
Other financial assets	3	2 103 401	1 981 102
Receivables from exchange transactions	4	867 603	270 519
Receivables from non-exchange transactions	5	3 941 253	3 832 563
Consumer debtors	6	38 768 062	14 312 265
Cash and cash equivalents	7	6 752 933	18 135 895
		84 134 506	**70 211 683**
Non-Current Assets			
Investment property	8	18 980 054	19 050 696
Property, plant and equipment	9	570 678 555	555 289 462
Intangible assets	10	3 634 956	3 469 559
Heritage assets	11	404 550	404 550
		593 698 115	**578 214 267**
Total Assets		**677 832 621**	**648 425 950**
Liabilities			
Current Liabilities			
Long-term liabilities	12	1 448 358	756 064
Finance lease obligation	13	-	845 157
Payables from exchange transactions	14	65 436 813	47 498 944
VAT payable	15	5 591 483	7 503 979
Consumer deposits	16	1 676 055	1 357 035
Employee benefit obligation	17	945 000	816 000
Unspent conditional grants and receipts	18	1 776 598	26 859 918
Provisions	19	480 846	953 419
		77 355 153	**86 590 516**
Non-Current Liabilities			
Long-term liabilities	12	4 698 717	5 557 946
Employee benefit obligation	17	39 349 000	34 659 000
Provisions	19	19 732 000	17 076 000
		63 779 717	**57 292 946**
Total Liabilities		**141 134 870**	**143 883 462**
Net Assets		**536 697 751**	**504 542 488**
Accumulated surplus		536 697 751	504 542 488

Statement of Financial Performance

	Note(s)	2016 R	2015 R
Revenue			
Revenue from exchange transactions			
Service charges	20	64 105 683	60 789 863
Sale of Land		339 281	1 515 982
Rental of facilities and equipment	21	198 090	202 760
Licences and permits		3 531 767	3 728 589
Miscellaneous other revenue		1 984 839	2 219 413
Interest received - investment	22	1 229 217	668 097
Fair value adjustments		122 580	691 673
Total revenue from exchange transactions		**71 511 457**	**69 816 377**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	42 357 955	21 843 140
Transfer revenue			
Government grants & subsidies	24	206 904 159	162 320 049
Fines, Penalties and Forfeits		5 643 844	5 713 111
Total revenue from non-exchange transactions		**254 905 958**	**189 876 300**
Total revenue	25	**326 417 415**	**259 692 677**
Expenditure			
Bulk purchases	26	(39 747 467)	(35 132 052)
Contracted services	27	(6 120 652)	(5 728 182)
Debt Impairment	28	(4 555 567)	(42 841 196)
Depreciation and amortisation	29	(39 281 751)	(38 882 650)
Employee related costs	30	(115 283 796)	(104 432 455)
Finance costs	32	(5 822 970)	(2 453 143)
Remuneration of councillors	33	(11 553 113)	(12 189 992)
Repairs and maintenance		(9 923 033)	(6 263 211)
Loss on disposal of assets and liabilities		(282 294)	-
General Expenses	31	(61 691 509)	(42 628 052)
Total expenditure		**(294 262 152)**	**(290 550 933)**
Surplus (deficit) for the year		**32 155 263**	**(30 858 256)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Restated balance at 01 July 2014	**535 400 744**	**535 400 744**
Changes in net assets		
Surplus for the year	(30 858 256)	(30 858 256)
Total changes	(30 858 256)	(30 858 256)
Restated balance at 01 July 2015	**504 542 488**	**504 542 488**
Changes in net assets		
Surplus for the year	32 155 263	32 155 263
Total changes	32 155 263	32 155 263
Balance at 30 June 2016	**536 697 751**	**536 697 751**

Note(s)

Cash Flow Statement

	Note(s)	2016 R	2015 R
Cash flows from operating activities			
Receipts			
Service charges & rates		82 007 841	80 207 114
Grants		181 820 839	188 465 298
Interest income		1 229 217	668 097
Other receipts		6 436 761	8 327 386
		271 494 658	277 667 895
Payments			
Employee costs		(124 972 482)	(109 610 028)
Suppliers		(97 870 264)	(94 934 717)
Finance costs		(1 986 970)	(2 112 143)
VAT payments		(1 912 496)	(2 733 290)
		(226 742 212)	(209 390 178)
Net cash flows from operating activities	35	**44 752 446**	**68 277 717**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(55 145 926)	(48 249 949)
Proceeds from sale of property, plant and equipment	9	188 006	-
Purchase of other intangible assets	10	(165 397)	(436 750)
Net cash flows from investing activities		**(55 123 317)**	**(48 686 699)**
Cash flows from financing activities			
Repayment of long-term liabilities		(166 935)	(4 509 473)
Finance lease payments		(845 156)	(776 519)
Net cash flows from financing activities		**(1 012 091)**	**(5 285 992)**
Net increase/(decrease) in cash and cash equivalents		**(11 382 962)**	**14 305 026**
Cash and cash equivalents at the beginning of the year		18 135 895	3 830 869
Cash and cash equivalents at the end of the year	7	**6 752 933**	**18 135 895**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	73 468 000	11 323 000	**84 791 000**	64 105 683	**(20 685 317)**	48.1
Rendering of services	-	-	**-**	339 281	**339 281**	
Rental of facilities and equipment	177 000	-	**177 000**	198 090	**21 090**	
Licences and permits	2 524 000	-	**2 524 000**	3 531 767	**1 007 767**	48.2
Miscellaneous other revenue	11 716 000	(831 000)	**10 885 000**	1 984 839	**(8 900 161)**	48.3
Interest received - investment	4 382 000	-	**4 382 000**	1 229 217	**(3 152 783)**	48.4
Total revenue from exchange transactions	**92 267 000**	**10 492 000**	**102 759 000**	**71 388 877**	**(31 370 123)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36 278 000	(13 981 000)	**22 297 000**	42 357 955	**20 060 955**	48.5
Transfer revenue						
Government grants & subsidies	145 031 000	(2 200 000)	**142 831 000**	206 904 159	**64 073 159**	48.6
Fines, Penalties and Forfeits	8 546 000	-	**8 546 000**	5 643 844	**(2 902 156)**	48.7
Total revenue from non-exchange transactions	**189 855 000**	**(16 181 000)**	**173 674 000**	**254 905 958**	**81 231 958**	
Total revenue	**282 122 000**	**(5 689 000)**	**276 433 000**	**326 294 835**	**49 861 835**	
Expenditure						
Employee Related Costs	(98 964 379)	-	**(98 964 379)**	(115 283 796)	**(16 319 417)**	48.8
Remuneration of councillors	(11 807 209)	-	**(11 807 209)**	(11 553 113)	**254 096**	
Depreciation and amortisation	(1 826 137)	-	**(1 826 137)**	(39 281 751)	**(37 455 614)**	48.9
Finance costs	(1 284 985)	(9 000 000)	**(10 284 985)**	(5 822 970)	**4 462 015**	48.10
Debt impairment	-	-	**-**	(4 555 567)	**(4 555 567)**	48.11
Repairs and maintenance (other materials)	(12 456 706)	1 779 000	**(10 677 706)**	(9 923 033)	**754 673**	
Bulk purchases	(34 324 739)	(5 675 261)	**(40 000 000)**	(39 747 467)	**252 533**	
Contracted Services	(14 113 168)	-	**(14 113 168)**	(6 120 652)	**7 992 516**	48.12
Sale of goods/Inventory	-	-	**-**	-	**-**	
General Expenses	(81 644 864)	(143 000)	**(81 787 864)**	(61 691 509)	**20 096 355**	48.13
Total expenditure	**(256 422 187)**	**(13 039 261)**	**(269 461 448)**	**(293 979 858)**	**(24 518 410)**	
Operating surplus	**25 699 813**	**(18 728 261)**	**6 971 552**	**32 314 977**	**25 343 425**	
Loss on disposal of assets and liabilities	-	-	-	(282 294)	**(282 294)**	
Fair value adjustments	-	-	-	122 580	**122 580**	
	-	-	-	**(159 714)**	**(159 714)**	
Surplus before taxation	**25 699 813**	**(18 728 261)**	**6 971 552**	**32 155 263**	**25 183 711**	
Surplus/(Deficit)	**25 699 813**	**(18 728 261)**	**6 971 552**	**32 155 263**	**25 183 711**	

Statement of Budget and Actual Amounts

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2016											
Capital expenditure and funds sources											
Total capital expenditure	105 703 023	(30 149 262)	75 553 761	-		75 553 761	65 051 090		(10 502 671)	86 %	62 %
Sources of capital funds											
Transfers recognised - capital	80 087 000	(11 505 000)	68 582 000	-		68 582 000	52 731 908		(15 850 092)	77 %	66 %
Internally generated funds	25 616 023	(18 644 262)	6 971 761	-		6 971 761	2 760 923		(4 210 838)	40 %	11 %
Total sources of capital funds	**105 703 023**	**(30 149 262)**	**75 553 761**	**-**		**75 553 761**	**55 492 831**		**(20 060 930)**	**73 %**	**52 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period of the revision and future periods if the revision affects both the current and future periods. The nature and reasons of the uncertainty, judgement made and the impact to the amounts presented in the financial statements are disclosed on the notes to the financial statements.

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Allowance for slow moving, damaged and obsolete inventory

The municipality assesses an allowance for inventory to write inventory down to the lower of cost or net realisable value. The write down is recognised in surplus or deficit.

Impairment testing

The recoverable amounts of cash and non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values of assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality reviews residual values of assets to determine if there is a change in the amount that the municipality would obtain from disposal of the asset, after deducting the estimated costs of disposal, if that asset was already of the age and condition expected at the end of its useful life.

Post retirement benefits

The present value of the post employment medical benefits are determined using actuarial valuations. The acturial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainity. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

1.3 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Accounting Policies

1.4 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 - 100 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	3 - 10 years
Computer equipment	Straight line	3 - 10 years
Infrastructure	Straight line	20 - 100 years
Community	Straight line	20 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Roads & Stormwater Assets	Straight line	20 - 100 years
Electricity assets	Straight line	20 - 100 years
Other assets	Straight line	3 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Accounting Policies

1.6 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	Indefinite

1.7 Heritage assets

Assets are resources controlled by the entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The entity assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Transitional provision

The entity changed its accounting policy for heritage assets in 2016. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

Accounting Policies

1.8 Interest in joint venture

An interest in a joint venture is carried .

The entity applies the same accounting for each category of investment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The entity's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interest in jointly controlled assets, the entity recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Impairment loss is recognised against an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed against allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over their shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA Act (Act 56 of 2003)

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.11 Inventories

Inventories are initially measured at weighted average cost, except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the Valuation Roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The municipality and its employees contribute to various pension, provident and retirement funds and its Councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefit are calculated in accordnance with the rules of the funds. Full acturial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relavant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

The municipality provides certain post retirement medical benefits by funding the medical aid contributions for retired members of the municipality. According to the rules of the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method presrcibed by IAS 19. Future benefit values are projected using specific assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any acturial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current Service Costs and Interest Costs are recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service costs include the expense for the benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other long term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

1.15 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.15 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Illegal Dumping: The municipality has an obligation to rehabilitate any contaminated land through illegal dumping. A provision has been established and recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

Landfill sites: The municipality has an obligation to rehabilitate its landfill sites in terms of its licencing stipulations. A provision has been established from 2008/9. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligations and is carried at amortised cost.

1.16 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Unconditional grants and receipts

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.18 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.19 Pre-paid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Accounting Policies

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

1.22 Comparative figures

When the presentation or classification of items in the financial statements is ammended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification is disclosed

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the Municipal Systems Act, (Act No. 32 of 2000), Public Office Bearers Act (Act No. 20 of 1998) or any regulations made in terms of these Acts; or; or
(c) the municipality's Supply Chain Management Policies or any provincial legislation/guidelines providing for procurement procedures in the municipalities.

Irregular expenditure is accounted for as an expense in the statement of financial performance in the period it occured and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Accounting Policies

1.26 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

	R	R
2. Inventories		
Consumable stores	6 947 450	6 873 418
Land	24 753 804	24 805 921
	31 701 254	**31 679 339**
3. Other financial assets		
Designated at fair value		
Listed Fund -Sanlam	2 103 401	1 981 102
Current assets	2 103 401	1 981 102
Designated at fair value		
4. Receivables from exchange transactions		
Third Party Vendors	867 603	6 470
Creditors with debit balances	-	264 049
	867 603	**270 519**

Third Party Vendors

The municipality introduced a new system in the current year whereby customers can purchase electricity through third party vendors, the money from the customers is received by Conlog whom in turn pay over to the municipality.

5. Receivables from non-exchange transactions		
Fines	1 132 437	1 086 876
Rental Debtors	36 721	28 345
Other	2 159 496	2 122 743
Sale of land debtors	612 599	594 599
	3 941 253	**3 832 563**
6. Consumer debtors		
Gross balances		
Rates	73 286 894	40 719 978
Electricity	10 026 349	23 904 611
Water and Sanitation	34 561 189	12 165 194
Refuse and Other	5 782 024	22 410 876
	123 656 456	**99 200 659**
Less: Allowance for impairment		
Rates	(59 606 802)	(31 606 802)
Electricity	(3 315 312)	(23 315 312)
Water and Sanitation	(16 282 383)	(11 282 383)
Refuse & Other	(5 683 897)	(18 683 897)
	(84 888 394)	**(84 888 394)**

Notes to the Annual Financial Statements

	2016 R	2015 R
6. Consumer debtors (continued)		
Net balance		
Rates	13 680 092	9 113 176
Electricity	6 711 037	589 299
Water and Sanitation	18 278 806	882 811
Refuse and Other	98 127	3 726 979
	38 768 062	**14 312 265**
Rates		
Current (0 -30 days)	774 858	771 858
31 - 60 days	1 400 350	1 400 336
61 - 90 days	2 130 000	1 161 576
91 - 120 days	2 800 000	1 105 858
121 - 365 days	3 500 000	1 327 465
> 365 days	3 074 884	3 346 083
	13 680 092	**9 113 176**
Electricity		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	6 711 037	589 299
	6 711 037	**589 299**
Water and Sanitation		
31 - 60 days	-	-
121 - 365 days	16 032 653	863 859
	16 032 653	**863 859**
Refuse and Other		
Current (0 -30 days)	98 127	686 317
31 - 60 days	-	607 824
61 - 90 days	-	528 489
91 - 120 days	-	504 087
121 - 365 days	-	1 400 262
	98 127	**3 726 979**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(84 888 394)	(55 349 185)
Contributions to allowance	-	(29 539 209)
	(84 888 394)	**(84 888 394)**
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	421 863	141 513
Bank balances	4 234 317	4 605 378
Short-term deposits	2 096 753	13 389 004
	6 752 933	**18 135 895**

	2016 R	2015 R

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB - cheque account 62063144431	1 711 983	3 055 996	1 103 211	1 711 983	3 055 996	1 103 210
FNB- cheque account 54351140693	373 795	868 176	356 337	373 795	868 176	356 337
FNB- cheque account 62200495960	154 020	104 089	267 593	154 020	104 089	267 593
FNB- cheque account 62224998023	1 994 519	577 117	1 774 694	1 994 519	577 117	1 774 694
Total	**4 234 317**	**4 605 378**	**3 501 835**	**4 234 317**	**4 605 378**	**3 501 834**

8. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 921 292	(1 941 238)	18 980 054	20 921 292	(1 870 596)	19 050 696

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	19 050 696	(70 642)	18 980 054

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	19 121 338	(70 642)	19 050 696

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The terms of the arrangement were as follows:
- The municipality contributed a piece of land, which was valued at R700,000 whilst ABSA contributed R6,300,000 for the construction of building.
- The municipality's contribution was deemed to be worth 10% and ABSA 90%.
- On completion of the building, ABSA occupied the building and leased additional rental space.
- Building operating costs are deducted from the rental income.
- ABSA is responsible for management of the building and in return compensated with 5% of rental income plus a management fee which will be agreed between the parties.
- The residue is shared in terms of the venturers' contribution

In terms of GRAP 8 (Interest in Joint Ventures), the municipality's component/share of the building was recognised as Investment property. The nature of this jointly controlled asset is investment property as it is leased to tenants and the municipality earns rentals from it.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

	2016 R	2015 R

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16 882 765	-	16 882 765	16 882 765	-	16 882 765
Buildings	69 244 734	(41 142 079)	28 102 655	69 244 734	(37 069 380)	32 175 354
Plant and machinery	881 555	(621 512)	260 043	874 624	(480 637)	393 987
Furniture and fixtures	475 779	(293 939)	181 840	440 329	(220 638)	219 691
Motor vehicles	12 779 557	(7 085 296)	5 694 261	12 131 201	(5 731 951)	6 399 250
Office equipment	312 881	(150 110)	162 771	268 895	(108 360)	160 535
Computer equipment	1 553 177	(544 999)	1 008 177	943 926	(380 081)	563 845
Community	107 978 802	(56 535 168)	51 443 635	100 624 756	(50 842 031)	49 782 726
Servitudes/road reserves	13 011 798	-	13 011 798	13 011 798	-	13 011 798
Work in progress	25 092 563	-	25 092 563	35 931 966	-	35 931 966
Landfill site	12 488 000	(2 840 921)	9 647 079	12 488 000	(1 494 790)	10 993 210
Roads & Stormwater Assets	608 507 970	(236 522 268)	371 985 702	569 082 550	(213 262 172)	355 820 378
Electricity assets	71 896 311	(27 100 941)	44 795 369	55 321 918	(25 405 867)	29 916 052
Wastewater network	2 184	-	2 184	2 184	-	2 184
Finance Leased Assets	2 048 360	(1 365 573)	682 787	2 048 360	(1 365 573)	682 787
Other assets	4 897 777	(3 172 852)	1 724 926	4 897 777	(2 544 843)	2 352 934
Total	**948 054 213**	**(377 375 658)**	**570 678 555**	**894 195 783**	**(338 906 323)**	**555 289 462**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	16 882 765	-	-	-	-	16 882 765
Buildings	32 175 354	-	-	-	(4 072 699)	28 102 655
Plant and machinery	393 987	6 931	-	-	(140 875)	260 043
Furniture and fixtures	219 691	35 449	-	-	(73 300)	181 840
Motor vehicles	6 399 250	1 685 975	(455 139)	-	(1 935 825)	5 694 261
Office equipment	160 535	50 914	-	-	(48 678)	162 771
Computer equipment	563 845	634 749	(15 161)	-	(175 257)	1 008 176
Community	49 782 726	-	-	7 354 047	(5 693 138)	51 443 635
Servitudes/road reserve	13 011 798	-	-	-	-	13 011 798
Work in progress	35 931 966	52 731 908	-	(63 571 311)	-	25 092 563
Landfill site	10 993 210	-	-	-	(1 346 131)	9 647 079
Roads & Stormwater Assets	355 820 378	-	-	39 425 420	(23 260 096)	371 985 702
Electricity assets	29 916 052	-	-	16 791 844	(1 912 526)	44 795 370
Wastewater network	2 184	-	-	-	-	2 184
Finance Leased Assets	682 787	-	-	-	-	682 787
Other assets	2 352 934	-	-	-	(628 008)	1 724 926
	555 289 462	**55 145 926**	**(470 300)**	**-**	**(39 286 533)**	**570 678 555**

	2016 R	2015 R

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	16 882 765	-	-	-	-	16 882 765
Buildings	36 278 338	-	-	-	(4 102 984)	32 175 354
Plant and machinery	534 477	-	-	-	(140 490)	393 987
Furniture and fixtures	246 581	37 822	-	-	(64 712)	219 691
Motor vehicles	8 370 430	-	-	-	(1 971 180)	6 399 250
Office equipment	136 214	48 085	-	5 695	(29 459)	160 535
Computer equipment	556 426	176 975	-	(27 343)	(142 213)	563 845
Community	34 647 070	-	20 141 089	-	(5 005 433)	49 782 726
Servitudes/road reserve	12 739 687	-	272 111	-	-	13 011 798
Work in progress	40 134 840	38 926 283	(43 129 157)	-	-	35 931 966
Landfill site	2 692 731	8 541 565	-	-	(241 086)	10 993 210
Roads & Stormwater Assets	358 150 780	-	20 768 288	-	(23 098 690)	355 820 378
Electricity assets	28 635 969	-	2 773 800	-	(1 493 717)	29 916 052
Wastewater network	-	2 184	-	-	-	2 184
Finance Leased Assets	1 365 573	-	-	-	(682 786)	682 787
Other assets	2 462 740	517 035	-	-	(626 841)	2 352 934
	543 834 621	**48 249 949**	**826 131**	**(21 648)**	**(37 599 591)**	**555 289 462**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

10. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 634 956	-	3 634 956	3 469 559	-	3 469 559

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Total
Computer software	3 469 559	69 659	3 634 956

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Total
Computer software	3 032 809	436 750	3 469 559

11. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value

Notes to the Annual Financial Statements

					2016 R	2015 R
11. Heritage assets (continued)						
Other	404 550	-	404 550	404 550	-	404 550

12. Long-term liabilities

	2016 R	2015 R
At amortised cost		
DBSA Loan 100121/3 The loan has a fixed interest rate of 15.15% per annum and is repayable in 30 equal half-yearly instalments. The loan period is 15 years and redemption date is 30 June 2019	1 681 454	2 354 828
DBSA Loan 102400/1 The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years expiring in 30 September 2028	2 087 965	2 217 880
DBSA Loan 100702/1 The loan has a fixed interest rate of 11.73% per annum and is repayable in 40 equal half-yearly instalments. The loan period is 20 years and redemption date is 30 June 2026	929 298	985 238
Short term portion of long term loans	1 448 358	756 064
	6 147 075	**6 314 010**
Total other financial liabilities	**6 147 075**	**6 314 010**
Non-current liabilities At amortised cost	4 698 717	5 557 946
Current liabilities At amortised cost	1 448 358	756 064

13. Finance lease obligation

Minimum lease payments due - within one year	-	845 157

14. Payables from exchange transactions

Trade payables	39 880 757	30 835 157
Payments received in advanced	314 626	103 812
Accrued leave pay	8 493 153	7 393 636
Accrued bonus	2 681 991	2 450 914
Interest Accrued	7 386	7 386
Payroll Clearing	10 336	45 735
Other Payables	5 118 808	171 487
Backpay Salary	-	1 414 918
Retentions	4 075 269	3 961 178
Consumer debtors unknown	2 608 335	1 018 925
Debtors with credit balances	2 246 152	95 796
	65 436 813	**47 498 944**

Notes to the Annual Financial Statements

	2016 R	2015 R

15. VAT payable

Net balance	5 591 483	7 503 979
Vat Returns	(1 320 807)	218 004
VAT Input Deferred	(5 253 878)	-
VAT Control	10 990 289	7 285 974
VAT Output Deferrred	1 175 880	-
	5 591 484	**7 503 978**

The municipality is registered for VAT on a payment basis.

16. Consumer deposits

Electricity	1 257 631	1 202 361
Water	418 424	154 674
	1 676 055	**1 357 035**

17. Employee benefit obligations

Defined contribution plan

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

The amounts recognised in the statement of financial position are as follows:

Carrying value Present value of the defined benefit obligation-wholly unfunded	40 294 000	35 475 000
Non-current liabilities	(39 349 000)	(34 659 000)
Current liabilities	(945 000)	(816 000)
	(40 294 000)	**(35 475 000)**

The municipality has no further obligation to cover unfunded benefits.

Net expense recognised in the statement of financial performance

Current service cost	2 374 000	1 777 000
Interest cost	3 410 000	2 685 000
Actuarial (gains) losses	(183 000)	2 274 000
Settlement	(782 000)	(741 000)
	4 819 000	**5 995 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,70 %	9,40 %
Consumer price inflation	7,84 %	7,53 %
Medical aid inflation	8,84 %	8,53 %
Net effective discount rate	1,70 %	0,80 %

For the current year and the prior year assumptions, the valuers have taken a point on the yield matching the implied duration of liability.

	2016 R	2015 R

17. Employee benefit obligations (continued)

Other assumptions

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the interest cost	4 747 000	3 382 000
Effect on the service cost	3 396 000	2 139 000
Effect on defined benefit obligation	47 791 000	34 327 000

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	18 805 728
Library Grant	500 000	-
LGSETA	-	1 547 230
INEP	-	1 506 960
Local Government	1 276 598	5 000 000
	1 776 598	**26 859 918**

See note 24 for reconciliation of grants from National/Provincial Government.

	2016 R	2015 R

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	12 488 000	1 302 000	-	13 790 000
Performance Bonus	953 419	-	(472 573)	480 846
Long service award	4 588 000	1 735 000	(381 000)	5 942 000
	18 029 419	**3 037 000**	**(853 573)**	**20 212 846**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	4 605 000	3 577 000	4 306 000	12 488 000
Performance bonus	-	953 419	-	953 419
Long service award	4 183 000	405 000	-	4 588 000
Other provisions	4 306 000	-	(4 306 000)	-
	13 094 000	**4 935 419**	**-**	**18 029 419**

Non-current liabilities	19 732 000	17 076 000
Current liabilities	480 846	953 419
	20 212 846	**18 029 419**

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert as at 30 June 2016 and approximates the discounted expected future cash flows using reasonable estimation techniques.

During the current year, licences for the illegal dumpsites were obtained. The current liability raised as a provision has therefore been moved to non-current as the municipality will rehabilitate the sites when the landfill sites are full.

Long service award

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows.

After 10 years service - 10 working days
After 15 years service - 20 working days
After 20 years service - 30 working days
After 25 years service - 30 working days
After 30 years service - 30 working days
After 35 years service - 30 working days
After 40 years service - 30 working days
After 45 years service - 30 working days.

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

Discount rate

Notes to the Annual Financial Statements

	2016 R	2015 R

19. Provisions (continued)

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

20. Service charges

Sale of electricity	48 406 975	45 243 034
Sale of water	7 718 037	7 694 240
Sewerage and sanitation charges	2 106 082	1 999 528
Refuse removal	5 874 589	5 853 061
	64 105 683	**60 789 863**

21. Rental of facilities and equipment

Premises		
Premises	198 090	202 760
	198 090	**202 760**

22. Investment revenue

Interest revenue		
Bank	1 229 217	668 097

23. Property rates

Rates received		
Residential	11 326 738	9 093 202
Commercial	8 329 009	7 789 896
State	17 947 990	1 069 130
Agriculture	4 754 218	3 890 912
	42 357 955	**21 843 140**

Notes to the Annual Financial Statements

	2016 R	2015 R

24. Government grants and subsidies

Operating grants		
Equitable share	127 415 000	102 166 000
Municipal Systems Improvement Grant	930 000	934 000
Library Grants	500 000	718 889
Financial Management Grant	1 675 000	1 600 000
LG Seta	6 422 763	2 050 068
EPWP Grant	1 286 000	1 464 000
NDPG	598	-
Water grant	3 300 000	-
	141 529 361	108 932 957
Capital grants		
MIG	44 820 728	45 818 272
NDPG	323 708	3 575 780
INEP	16 506 960	3 993 040
Local Government Grant	3 723 402	-
	65 374 798	53 387 092
	206 904 159	**162 320 049**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	18 805 728	-
Current-year receipts	28 182 000	34 624 000
Conditions met - transferred to revenue	(44 820 728)	(45 818 272)
Roll over denied	(2 167 000)	30 000 000
	-	**18 805 728**

Conditions still to be met - remain liabilities (see note 18).

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

Neighbourhood Development Grant

Balance unspent at beginning of year	-	495 780
Current-year receipts	-	3 080 000
Conditions met - transferred to revenue	-	(3 575 780)
	-	-

Financial Management Grant

Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	-	-

Library Grant

Notes to the Annual Financial Statements

	2016 R	2015 R

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	218 889
Current-year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(500 000)	(718 889)
	500 000	**-**

Conditions still to be met - remain liabilities (see note 18).

EPWP

Current-year receipts	1 286 000	1 464 000
Conditions met - transferred to revenue	(1 286 000)	(1 464 000)
	-	**-**

LGSETA

Balance unspent at beginning of year	1 547 230	-
Current-year receipts	4 875 533	3 597 298
Conditions met - transferred to revenue	(6 422 763)	(2 050 068)
	-	**1 547 230**

Conditions still to be met - remain liabilities (see note 18).

INEP

Balance unspent at beginning of year	1 506 960	-
Current-year receipts	15 000 000	5 500 000
Conditions met - transferred to revenue	(16 506 960)	(3 993 040)
	-	**1 506 960**

Conditions still to be met - remain liabilities (see note 18).

Local Government

Balance unspent at beginning of year	5 000 000	-
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(3 723 402)	-
	1 276 598	**5 000 000**

Conditions still to be met - remain liabilities (see note 18).

25. Revenue

Sale of land	339 281	1 515 982
Service charges	64 105 683	60 789 863
Rental of facilities and equipment	198 090	202 760
Licences and permits	3 531 767	3 728 589
Miscellaneous other revenue	1 984 839	2 219 413
Interest received - investment	1 229 217	668 097
Property rates	42 357 955	21 843 140
Government grants & subsidies	206 904 159	162 320 049
Fines, penalties and forfeits	5 643 844	5 713 111
	326 294 835	**259 001 004**

Notes to the Annual Financial Statements

	2016 R	2015 R
25. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	64 105 683	60 789 863
Rendering of services	339 281	1 515 982
Rental of facilities and equipment	198 090	202 760
Licences and permits	3 531 767	3 728 589
Miscellaneous other revenue	1 984 839	2 219 413
Interest received - investment	1 229 217	668 097
	71 388 877	**69 124 704**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	42 357 955	21 843 140
Transfer revenue		
Government grants & subsidies	206 904 159	162 320 049
Fines, penalties and forfeits	5 643 844	5 713 111
	254 905 958	**189 876 300**
26. Bulk purchases		
Electricity	39 747 467	35 132 052
27. Contracted services		
Lift maintenance	-	23 269
Security services	6 120 652	5 704 913
	6 120 652	**5 728 182**
28. Debt impairment		
Contributions to debt impairment provision	4 555 567	42 819 496
Bad debts written off	-	21 700
	4 555 567	**42 841 196**
29. Depreciation and amortisation		
Property, plant and equipment	39 211 109	38 812 008
Investment property	70 642	70 642
	39 281 751	**38 882 650**

Notes to the Annual Financial Statements

	2016 R	2015 R

30. Employee related costs

Basic	67 152 820	59 989 671
Bonus	4 884 725	3 969 188
Medical aid - company contributions	7 538 617	6 442 023
UIF	606 929	533 845
SDL	915 239	767 875
Leave pay provision charge	1 099 516	2 125 053
Pension Fund Contributions	12 551 885	11 159 806
Travel, motor car, accommodation, subsistence and other allowances	4 409 816	2 709 684
Overtime payments	5 932 985	5 038 975
Long-service awards	1 239 624	498 643
Acting allowances	2 195 550	944 107
Entertainment allowance	315 085	163 007
Housing benefits and allowances	1 009 100	544 892
Cellphone Allowance	388 148	398 165
Bargaining Council	33 067	29 535
Leave Payout	1 021 133	150 390
Standby Allowance	1 254 903	1 278 187
Bonus provision	231 074	1 194 408
Post retirement medical benefit	1 409 000	5 995 000
Termination benefits	1 094 580	500 000
	115 283 796	**104 432 454**

Remuneration of Municipal Manager

Annual Remuneration	569 683	1 012 692
Car Allowance	56 000	96 000
Performance Bonuses	-	24 000
Contributions to UIF, Medical and Pension Funds	1 091	1 865
Lumpsum	916 393	-
SDL & Bargain Council	6 145	11 073
	1 549 312	**1 145 630**

The Municipal manager resigned in March 2016

Remuneration of Chief Finance Officer

Annual Remuneration	895 730	919 648
Settlement	541 745	-
Performance Bonuses	-	18 000
Contributions to UIF, Medical and Pension Funds	1 785	1 864
SDL & Bargain Council	9 044	9 222
	1 448 304	**948 734**

The CFO was suspended with full pay with effect from February 2016.

Remuneration of Director Corporate Services

Annual Remuneration	382 213	734 497
Car Allowance	143 840	-
Cell Phone Allowance	10 583	18 000
Performance Bonuses	-	160 000
Contributions to UIF, Medical and Pension Funds	1 175	1 853
SDL & Bargain Council	5 137	8 547
	542 948	**922 897**

	2016 R	2015 R

30. Employee related costs (continued)

The Director for Corporate Services employment was terminated with effect from February 2016.

Remuneration of Director Technical Services

Annual Remuneration	877 730	928 031
Cell Allowance	18 000	18 000
Contributions to UIF, Medical and Pension Funds	1 785	1 865
SDL & Bargain Council	9 044	9 460
	906 559	**957 356**

The director was suspended with full pay as from January 2016.

Remuneration of Director Community Services

Annual Remuneration	637 730	828 031
Car Allowance	240 000	100 000
Performance Bonuses	204 227	-
Contributions to UIF, Medical and Pension Funds	1 917	3 205
Cell Phone Allowance	18 000	18 000
SDL & Bargain Council	10 608	9 170
	1 112 482	**958 406**

Remuneration of Director Local Economic Development

Annual Remuneration	637 730	929 909
Car Allowance	240 000	-
Performance Bonuses	138 294	-
Contributions to UIF, Medical and Pension Funds	1 785	1 498
Cell Phone Allowance	18 000	18 000
SDL & Bargain Council	9 190	8 809
	1 044 999	**958 216**

Remuneration of Chief Audit Executive

Annual Remuneration	757 730	770 305
Car Allowance	120 000	120 000
Performance Bonuses	130 052	18 000
Contributions to UIF, Medical and Pension Funds	1 785	1 852
SDL & Bargain Council	10 105	8 740
Cell Phone Allowances	18 000	-
	1 037 672	**918 897**

Acting Municipal Manager

Annual Remuneration	439 996	-
Car Allowance	35 236	-
Contributions to UIF, Medical and Pension Funds	53 593	-
Cell Phone Allowance	2 750	-
SDL & Bargaining Council	4 767	-
	536 342	**-**

The acting Municipal Manager was appointed in February 2016, after the Municipal Manager was suspended. The municipal manager resigned in March 2016 and currenly no Municipal Manager has been appointedt

Notes to the Annual Financial Statements

	2016 R	2015 R

30. Employee related costs (continued)

Acting Chief Finance Officer

	294 764	-
Annual Remuneration	30 000	-
Car Allowance	43 302	-
Contributions to UIF, Medical and Pension Funds	3 199	-
SDL & Bargaining Council	2 200	-
Cell Phone Allowance	**373 465**	**-**

The acting CFO was appointed in February 2016 after the CFO was suspended. The acting CFO was in office as at year end.

Acting Director Technical Services

	303 977	-
Annual Remuneration	30 000	-
Car Allowance	54 454	-
Contributions to UIF, Medical and Pension Funds	2 200	-
Cell Phone Allowance	3 402	-
SDL & Bargaining Council	**394 033**	**-**

The acting Director Technical Servcies was appointed in March 2016 after the Director was suspended. The acting Director Technical Services was in office as at year end.

Acting Director Corporate Services

	435 714	-
Annual Remuneration	30 000	-
Car Allowance	34 855	-
Annual Bonus	51 083	-
Contributions to UIF, Medical and Pension Funds	4 250	-
Cell Phone Allowance	4 847	-
SDL & Bargaining Council	**560 749**	**-**

Notes to the Annual Financial Statements

	2016 R	2015 R

31. General expenses

Advertising	88 274	213 110
Arbitration Fees	-	391 228
Auditors remuneration	3 384 466	3 110 944
Bank charges	1 214 259	995 906
Billing charges	246 787	201 630
Chemicals	74 128	67 789
Community development and training	1 798 005	2 517 472
Conferences and seminars	486 056	482 148
Consulting and professional fees	18 407 554	6 954 154
Consumables	1 085 967	1 195 969
Discount Allowed	1 310 743	1 014 266
Electricity	1 410 586	3 182 403
Employee awareness	33 700	38 346
Extended public works program	3 770 827	3 872 955
Hire	1 065 372	60 867
Insurance	378 002	493 070
IT expenses	47 657	114 641
Inventory adjustment	677 327	(2 399 601)
Fuel and oil	2 037 842	2 098 495
Funeral Costs	50 301	49 444
Indigent subsidy	2 240 551	2 506 869
Landfill site provision	1 302 000	-
Other expenses	2 124 767	3 154 365
Postage and courier	231 347	111 641
Printing and stationery	837 806	1 102 911
Refuse	119 554	97 249
Right of use - Water	398 393	150 466
Sitting allowance	3 283 465	3 446 041
Software expenses	269 935	454 460
Staff welfare	42 989	99 751
Store and materials	542 491	318 817
Subscriptions and membership fees	1 016 296	1 130 875
Telephone and fax	1 125 879	927 697
Training	8 498 823	2 776 148
Travel - local	1 065 537	1 266 154
Assets expensed	265 307	-
Uniforms	758 516	429 372
	61 691 509	**42 628 052**

32. Finance costs

Other Interest	1 289 274	1 361 040
Trade and other payables	697 696	751 103
Long-term liabilities	3 836 000	341 000
	5 822 970	**2 453 143**

33. Remuneration of councillors

Mayor	812 712	845 362
Speaker	646 590	625 034
Councillors	9 898 164	8 711 096
Officials in political office	195 647	2 008 500
	11 553 113	**12 189 992**

Notes to the Annual Financial Statements

	2016 R	2015 R

33. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Mayor has one full-time bodyguard .

34. Fair value adjustments

Other financial assets		
• Listed Funds	122 580	691 673

35. Cash generated from operations

Surplus (deficit)	32 155 263	(30 858 256)
Adjustments for:		
Depreciation and amortisation	39 281 751	38 882 650
Gain on sale of assets and liabilities	282 294	-
Fair value adjustments	(122 299)	(691 673)
Debt impairment	4 555 567	42 841 196
Movements in retirement benefit assets and liabilities	4 819 000	5 995 000
Movements in provisions	2 183 427	4 935 419
Inventory adjustment	677 327	(2 399 601)
Other non-cash items	75 426	27 343
Changes in working capital:		
Inventories	(699 242)	12 011 699
Receivables from exchange transactions	(597 084)	(263 592)
Consumer debtors	(24 455 797)	(9 869 049)
Other receivables from non-exchange transactions	(4 664 256)	(4 788 877)
Payables from exchange transactions	17 937 865	(11 133 136)
VAT	(1 912 496)	(2 733 289)
Unspent conditional grants and receipts	(25 083 320)	26 145 249
Consumer deposits	319 020	176 634
	44 752 446	**68 277 717**

36. Auditors' remuneration

Fees	3 384 466	3 110 944

Notes to the Annual Financial Statements

	2016 R	2015 R

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18 483 731	14 730 413
Not yet contracted for and authorised by director		
• Property, plant and equipment	-	10 100 000
Total capital commitments		
Already contracted for but not provided for	18 483 731	14 730 413
Not yet contracted for and authorised by director	-	10 100 000
	18 483 731	**24 830 413**

This committed expenditure relates to projects and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

38. Contingencies

39.1 Court Proceedings:
Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows amounts:

Litigation and claims		
RMLS/JS Geldenhuys Trust: Right of use access route and registration of servitude and compensation	-	1 189 550
Legal fees	669 838	-
Litigation claims	481 862	8 237 853
	1 151 700	**9 427 403**

39. Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 30 and 33 respectively, to the Annual Financial Statements

40. Prior period errors

In terms of GRAP 3 - Accounting policies, Changes in Estimates and Errors all prior period errors should be disclosed in accordance to the standards:

During the current period adjustments were processed for the previous financial periods. The overall difference for 2015 below reflects the adjustments only for 2015 after having adjusted for the 2014 errors.

The correction of the error(s) results in adjustments as follows:

40. Prior period errors (continued)

Statement of financial position	**2015**	**2014**
Property, plant and equipment	49 440	7 295 951
Inventories	(10 965)	(13 081 982)
Cash and cash equivalents	-	(10 598)
Payables from exchange	(3 523 143)	(522 110)
VAT	181 777	69 227
Receivables from exchange transactions	264 049	-
Consumer Debtors	95 796	(76 844)
Accumulated Surplus or Deficit	2 943 046	6 326 356
	-	-

Statement of Financial Performance		
Depreciation	467 581	-
Employee costs	(181 352)	-
General expenses	2 251 093	-
Repairs and maintence	(33 044)	-
Finance costs	438 768	-
	2 943 046	-

40. Prior period errors (continued)

40.1 Inventory

An RTS amounting to R10,965 was captured in the current year for goods that were returned in the prior year.

Inventory amounting to R10,020 was errorously recognised at nil.

Land for sale was incorrectly included in the register as an asset of the municipality, however, this property was verified to be occupied and not the property of the municipality.

Statement of financial position		
Inventory	(13 081 982)	(13 081 982)
Accumulated surplus	13 081 982	13 081 982
Payables from exchange	10 965	-
Inventory (Land for sale)	(10 965)	-
	-	-

41.2 Receivables from exchange transactions

Creditors with debit balances were incorrectly recorded as trade creditors in the prior year statements.

Statement of financial position		
Receivables from exchange transactions	264 049	-
Payables from exchange	(264 049)	-
	-	-

41.3 Cash and cash equivalents

The cash and cash equivalents in the prior year included a balance for a bank account that was closed in 2014. This was corrected in the current year.

Statement of financial position		
Cash and cash equivalents	(10 598)	(10 598)
Accumulated surplus	10 598	10 598
	-	-

41.4 Consumer Debtors

Debtors in the prior year that had credit balances were erroreosly included as Consumer Debtors.

Billing was reversed for accounts that were billed incorrectly in prior years:

Statement of financial position		
Consumer Debtors	18 952	(76 844)
Accumulated surplus	76 844	76 844
Payables from exchange	(95 796)	-
	-	-

41.5 Property, Plant and Equipment

In the current year some assets that were fully depreciated but still in use were identied and their useful lives were reassessed. Some assets previously not included in the asset register were identified. The following adjustments were made :

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period errors (continued)

Property, plant and equipment	49 440	7 295 951
Accumulated surplus	(517 021)	(7 295 951)
	(467 581)	**-**

Statement of financial performance

Depreciation	467 581	-

41.6 Payables from exchange transactions

Debtors with credit balances were classified to payables for the prior year.

Creditors with debit balances were classified to receivables for the prior year.

The net salary clearing account was investigated for the balance in the current year and some of the amounts were cleared..

Statement of Financial Position

Payables from exchange transactions	(4 045 253)	(522 110)
Accumulated surplus	3 419 546	448 992
VAT	254 897	73 118
Inventory	10 965	-
Receivables from exchange	264 049	-
Consumer Debtors	95 796	-
	-	-

Statement of Financial Performance

Finance Costs	97 768	-
Employee costs	149	-
General expenses	2 927 627	-
Repairs & maintenance	(33 044)	-
	2 992 500	**-**

41.7 VAT Payable

Payables in the prior years were corrected in the prior years, the adjustment including the corresponding vat was made in the current year.

Statement of Financial Position

VAT	(251 004)	69 227
Accumulated Surplus	-	3 891
Trade and other payables	251 004	(73 118)
	-	-

42.8 Accumulated surplus

Corrections made in the prior year resulted in the following adjustments to the accumulated surplus;

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period errors (continued)

Statement of Financial Position

Accumulated Surplus	9 269 403	8 996 337
Payables from exchange	(3 441 479)	(448 992)
Property, plant & equipment	7 345 391	4 625 970
Cash	(10 598)	(10 598)
Consumer Debtors	(76 844)	(76 844)
Inventory	(13 081 982)	(13 081 982)
VAT	(3 891)	(3 891)
	-	-

41. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Re - classification	After reclassification
Rental of facilities	129 801	72 959	202 760
Interest received	741 056	(72 959)	668 097
Employee related costs	(104 613 807)	181 501	(104 432 306)
General expenses	(40 376 959)	159 499	(40 217 460)
Finance Costs	(2 014 375)	(341 000)	(2 355 375)
Total	**(146 134 284)**	**-**	**(146 134 284)**

42. Risk management

Financial risk management

Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function

Notes to the Annual Financial Statements

42. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call and notice deposits
- Development Bank of Southern Africa loans

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Unauthorised expenditure

Current year	59 018 590	90 954 904
Opening balance	90 954 904	-
	149 973 494	**90 954 904**

In the current year no unathorised expenditure was condoned. Investigations regarding unauthorised expenditure is still underway therefore, the information required per MFMA s125(2)(d)(i)-(iii) is not available.

Included in current year unauthorised expenditure is the following non cash items not budgeted for so as to avoid budgeting for a loss;

Non-cash based unauthorised expenditure		
Depreciation	-	31 600 885
Bad debts	-	42 841 196
	-	**74 442 081**

Notes to the Annual Financial Statements

45. Fruitless and wasteful expenditure

Opening balance	3 034 946	1 580 903
Current year	1 495 314	1 454 043
	4 530 260	**3 034 946**

Fruitless and wasteful expenditure has been reported to Council and the matter is still under investigation by Sec 32 Committee. The information required per MFMA s125(2)(d)(i)-(iii) is not available

The expenditure is caused by interest charged on overdue accounts of Eskom, Telkom and Auditor General South Africa.

46. Irregular expenditure

Opening balance	66 797 201	45 060 341
Add: Irregular Expenditure - current year	31 376 407	21 736 860
	98 173 608	**66 797 201**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings
Non-compliance	None

Investigations for current year and prior years irregular expenditure is still under investigation as at year end therefore, the information required per MFMA s125(2)(d)(i)-(iii) is not available.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	870 310	1 066 844
Amount paid - current year	(870 310)	(1 066 844)
	-	-

Audit fees

Current year subscription / fee	3 384 466	3 110 944
Amount paid - current year	(1 212 445)	(3 054 846)
	2 172 021	**56 098**

PAYE, SDL and UIF

Opening balance	-	861 250
Current year subscription / fee	17 164 532	12 795 183
Amount paid - current year	(15 856 611)	(13 656 433)
	1 307 921	**-**

Pension and Medical Aid Deductions

Opening balance	-	1 315 362
Current year subscription / fee	18 504 656	17 175 288
Amount paid - current year	(16 923 040)	(18 490 650)
	1 581 616	**-**

Notes to the Annual Financial Statements

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT payable	5 591 483	7 503 979

All VAT returns have been submitted by the due date throughout the year.

48. Budgeted operating versus actual operating

Revenue.

48.1 Service charges accrued were less than the budget, however, an increase from the prior year was realised and therefore, the difference was as a result of the underbudget of the expected revenue .
48.2 Licences and permits income received was above the budgeted because of underbudgeting..
48.3 Miscellaneous other revenue budgeted included revenue expected from sale of pit, however, the sales revenue expected were not reached..
48.4 Interest received was less than budgeted as the investeduced in the current year therefore resulting in a decrease in interest received.

48.5 Property rates budget exceeded due to implementation of the supplementary valuation roll during the year.
48.6 Goverment grants and subsidies exceeded budget as they include all operational and capital grants, however, the budgeted amount only included operational grants.

48.7 Fines and penalties received were below the expected amount.

Expenditure

48.8 Employee related costs exceeded budget as a result of settlements paid that were not budgeted for and also because of acting allowances and payment on officials suspended
48.9 Depreciation and amortisation exceeded budget as a result of understatement of budget
48.10 Finance costs were less than budgeted as a result of over budget
48.11 Debt impairment was not included in the budget.
48.12 Contracted services were below the amount budgeted as a result of overstatement of the budget.
48.13 General expenditure incurred was below budget as a result of cashflow problems.

Capital Expenditure

The budget amount exceed the expenditure incurred as expected funding was not received.

49. Distribution Losses

Electicity Distribution Losses		
KHW	16 422 060	17 246 408
	-	-
Total loss	13 471 728	12 187 935
	-	-

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. Cost per KWH R0.8 (2015: R0.706)

50. Service in kind

During the current year, the municipality received assistance from the North West Provincial Government. This took the form of appointment of consultants, JBFE Consulting (Pty) Ltd, who assisted the municipality with the compilation of the infrastructure asset register.